

AMENDED IN ASSEMBLY APRIL 27, 1999

AMENDED IN ASSEMBLY APRIL 14, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 964

Introduced by Assembly Member Aroner

February 25, 1999

An act to amend ~~Sections 10089.40 and 10089.84 of Section 10089.40 of, and to repeal Section 10089.84 of,~~ the Insurance Code, relating to earthquake insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 964, as amended, Aroner. Earthquake insurance.

Existing law governing the California Earthquake Authority provides a premium discount or credit, as specified, to policyholders of authority-issued policies of residential earthquake coverage who have retrofitted their homes to withstand earthquake shake damage, as specified.

This bill would require the ~~Insurance—Commissioner~~ *authority*, on or before July 1, 2000, to issue a report to the Legislature on the status of that residential retrofit program, as specified.

Existing law establishes, until January 1, 2000, a pilot program for the mediation of disputes between insured complainants and insurers arising out of the Northridge earthquake of 1994 or any subsequent earthquake.

This bill would ~~extend the duration of that pilot program until January 1, 2004 delete this termination date, thereby extending the mediation program indefinitely.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10089.40 of the Insurance Code
2 is amended to read:

3 10089.40. (a) Rates established by the authority shall
4 be actuarially sound so as to not be excessive, inadequate,
5 or unfairly discriminatory. Rates shall be established
6 based on the best available scientific information for
7 assessing the risk of earthquake frequency, severity, and
8 loss. Rates shall be equivalent for equivalent risks. Factors
9 the board shall consider in adopting rates include, but are
10 not limited to, the following:

11 (1) Location of the insured property and its proximity
12 to earthquake faults and to other geological factors that
13 affect the risk of earthquake or damage from earthquake.

14 (2) The soil type on which the insured dwelling is built.

15 (3) Construction type and features of the insured
16 dwelling.

17 (4) Age of the insured dwelling.

18 (5) The presence of earthquake hazard reduction
19 factors, including those set forth in subdivision (a) of
20 Section 10089.2.

21 (b) (1) If scientific information from geologists,
22 seismologists, or similar experts that assesses the
23 frequency or severity of risk of earthquake is considered
24 in setting rates or in arriving at the modeling assumptions
25 upon which those rates are based, the information may be
26 used to establish differentials among risks only if the
27 information, assumptions, and methodology used are
28 consistent with the available geophysical data and the
29 state of the art of scientific knowledge within the
30 scientific community.

31 (2) Scientific information from geologists,
32 seismologists, or similar experts shall not be conclusive to

1 support the establishment of different rates between the
2 most populous rating territories in the northern and
3 southern regions of the state unless that information, as
4 analyzed by experts such as the United States Geological
5 Survey, the California Division of Mines and Geology, and
6 experts in the scientific or academic community, clearly
7 shows a higher risk of earthquake frequency, severity, or
8 loss between those most populous rating territories to
9 support those differences.

10 (3) It is not the intent of the Legislature in adopting
11 this subdivision to mandate a uniform statewide flat rate
12 for California Earthquake Authority policies.

13 (c) The classification system established by the board
14 shall not be adjusted or tempered in any way to provide
15 rates lower than are justified for classifications that
16 present a high risk of loss or higher than are justified for
17 classifications that present a low risk of loss.

18 (d) Policyholders who have retrofitted their homes to
19 withstand earthquake shake damage according to
20 standards and to the extent set by the board shall enjoy
21 a premium discount or credit of 5 percent on the
22 authority-issued policy of residential earthquake
23 coverage. For residential dwellings, the 5-percent
24 discount shall be applicable if the dwelling, at a minimum,
25 meets the following requirements: the dwelling was built
26 prior to 1979, is tied to the foundation, has cripple walls
27 braced with plywood or its equivalent, and the water
28 heater is secured to the building frame. For mobilehomes,
29 the 5-percent discount shall be applicable if the
30 mobilehome, at a minimum, is reinforced by an
31 earthquake resistant bracing system certified by the
32 Department of Housing and Community Development.
33 The board may approve a premium discount or credit
34 above 5 percent, as long as the discount or credit is
35 determined actuarially sound by the authority.

36 (e) On or before July 1, 2000, the ~~commissioner~~
37 *authority* shall issue a report to the Legislature on the
38 current status of the authority's residential retrofit
39 program, as adopted in compliance with the provisions of
40 subdivision (d). The report shall include statistics about

1 the number of counties which are eligible, the number of
2 homeowners who have applied for the program, the
3 number of retrofits which have been approved and
4 completed, the amount of authority funds and private
5 funds which have been expended in the program, the
6 dollar amount of insurance rate reductions which have
7 been provided, and other information concerning the
8 status of the program. The report shall also include a plan
9 to rapidly expand the residential retrofit program
10 statewide, including projections of personnel and other
11 needs, and specifications for whatever additional
12 statutory authority may be needed to implement an
13 expanded plan.

14 (f) All rates shall be approved by the commissioner
15 prior to their use.

16 ~~SEC. 2. Section 10089.84 of the Insurance Code is~~
17 ~~amended to read:~~

18 ~~10089.84. This chapter shall remain in effect until~~
19 ~~January 1, 2004, and as of that date is repealed, unless a~~
20 ~~later enacted statute, which is enacted before January 1,~~
21 ~~2004, deletes or extends that date. Any case referred to~~
22 ~~mediation by the department prior to January 1, 2004,~~
23 ~~shall be mediated under this chapter whether or not the~~
24 ~~mediation has been completed prior to January 1, 2004.~~
25 ~~No later than August 1, 1998, the commissioner shall~~
26 ~~report to the Governor and the Legislature on whether~~
27 ~~the pilot program should be extended, expanded,~~
28 ~~terminated, or otherwise modified and shall include~~
29 ~~specific findings regarding the use of the program by~~
30 ~~insureds and insurers.~~

31 ~~SEC. 2. Section 10089.84 of the Insurance Code is~~
32 ~~repealed.~~

33 ~~10089.84. This chapter shall remain in effect until~~
34 ~~January 1, 2000, and as of that date is repealed, unless a~~
35 ~~later enacted statute, which is enacted before January 1,~~
36 ~~2000, deletes or extends that date. Any case referred to~~
37 ~~mediation by the department prior to January 1, 2000,~~
38 ~~shall be mediated under this chapter whether or not the~~
39 ~~mediation has been completed prior to January 1, 2000.~~
40 ~~No later than August 1, 1998, the commissioner shall~~

1 ~~report to the Governor and the Legislature on whether~~
2 ~~the pilot program should be extended, expanded,~~
3 ~~terminated, or otherwise modified and shall include~~
4 ~~specific findings regarding the use of the program by~~
5 ~~insureds and insurers.~~

O

